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FM AMEMBASSY MEXICO

TO RUEHC/SECSTATE WASHDC 4147

INFO RUEHXC/ALL US CONSULATES IN MEXICO COLLECTIVE PRIORITY

RUEATRS/DEPT OF TREASURY WASHDC

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UNCLAS SECTION 01 OF 03 MEXICO 006413

SIPDIS

SENSITIVE, SIPDIS

FOR WHA/MEX, WHA/EPSC, AND EB/IFD/OMA
USDOC FOR 4320/ITA/MAC/WH/ONAFTA/ARUDMAN
TREASURY FOR IA (ALICE FAIBISHENKO)
STATE PASS TO USTR (EISSENSTAT/MELLE)
STATE PASS TO FEDERAL RESERVE (CARLOS ARTETA)
STATE PASS TO JUSTICE DEPARTMENT ANTI-TRUST DIVISION
(CALDWELL HARROP, KIMBERLY GARNETT, ANNE MARIE CUSHMAC)

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SUBJECT: WHO ARE MEXICO'S MONOPOLISTS?

Summary

¶1. (SBU) Bank of Mexico and likely incoming Mexican government officials in recent weeks have stressed the importance of opening key sectors of the economy to more competition, but have been hesitant to publicly name the "offending" companies. This telegram spells out which sectors are dominated by only a few powerful firms, who is in charge of these companies, and how much of the market the companies control. End Summary.

Summit Participants Highlight Need for Competition

¶2. (SBU) At the Monterrey Business Summit on October 30, 2006, Bank of Mexico (BOM) Governor Guillermo Ortiz and other participants (business representatives, academics, President-elect Felipe Calderon transition team members, etc.) underscored the importance of more competition in key sectors such as telecommunications, transportation, construction, and financial services. Ortiz stressed that macroeconomic and financial stability is an important "theme" in the Mexican economy, one that has been largely achieved. He said that another key theme is competition. He emphasized the importance of focusing on monopolies and how they hinder economic growth and competition by keeping prices high. Professor and political commentator Denise Dresser made similar points at the Summit the day before, and received applause for her comments. Numerous participants focused on the need to challenge monopolies and the excessive costs they produce. That said, no one at the Business Summit would name specific companies or people (Carlos Slim, etc.). When pressed by a questioner to name a Mexican company that needs to open up to competition, Mexican Institute for Competitiveness head Roberto Newell would only name Coca Cola and Wal-Mart, to the nervous laughter of the audience.

¶3. (SBU) To facilitate USG understanding of what analysts are referring to when they talk about Mexican industries and sectors where competition is absent or severely restricted, Post is providing the following list (alphabetical listing by sector).

Airlines

Aeromexico
CEO: Andres Conesa
Market share: 39.7%

Mexicana
CEO: Gaston Azcarraga
Market share: 36%

(Note: The introduction of low-cost airlines is expected to increase competition in the domestic market. End Note.)

Beer

Grupo Modelo
Chairman and CEO: Carlos Fernandez Gonzalez
Market share: 65.2%

Cerveceria Cuauhtemoc Moctezuma
Chairman: Jose Antonio Fernandez Carbalal
Market share: 43%

Bottling

Coca-Cola FEMSA
Chairman: Jose Antonio Fernandez Carbalal
DG: Carlos Salazar
Market share: 70%

Pepsico

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CEO and DG: Oscar Cazares
Market share: 15%

Bread

Bimbo
Chairman of the Board: Roberto Servitje Sendra
DG: Daniel Servitje
Market share: 67.8%

Broadcasting

Televisa
Chairman and CEO: Emilio Azcarraga Jean
Market share: 56% of Mexico's TV stations

TV Azteca
Chairman and CEO: Ricardo Salinas Pliego
Market share: 38% of Mexico's TV stations

Cablevision (owned by Televisa)
Chairman of the Board: Emilio Azcarraga Jean
DG: Juan Paul Broc
Market share: majority of market for cable TV

Sky (owned by Televisa)
Chairman of the Board: Emilio Azcarraga Jean
DG: Alexandre Moreira
Market share: majority of market for satellite TV

Cement

Cemex
Chairman and CEO: Lorenzo Zambrano
Market share: 87.6%

Holcim Apasco
DG: Pierre Froidevaux
Market share: 12.4%

Energy

Pemex
DG: Luis Ramirez Corzo

Federal Electricity Comision (CFE)
DG: Alfredo Elias Ayub

Luz y Fuerza del Centro (LyFC)
DG: Luis de Pablo Serna

Financial Services

BBVA Bancomer (Spain), Banamex Citigroup (U.S.), Santander Serfin (Spain), Banorte (Mexico), HSBC (UK), and Scotiabank-Inverlat (Canada) have over 90% of the market.

(Note: Mexico's Federal Competition Commission is investigating banks and pension fund operators to see why their commissions are so high, and if they are involved in anti-competitive practices. The results of this investigation are supposed to be released around March 2007. A number of companies, including Wal-Mart, have filed for licenses to enter the financial services market in Mexico. End Note.)

Glass

Vitro
Chairman and CEO: Adrian Sada Gonzalez
DG: Federico Sada
Market share: 73.8%

Hospitals

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Grupo Angeles
Chairman: Olegario Vazquez Aldir
Market share: 67%

Mining

Penoles
Chairman: Alberto Bailleres
DG: Jaime Lomelin
Market share: 52% of gold, 97% of silver, and 90% of sodium sulfate

Grupo Mexico
Chairman and CEO: German Larrea
Market share: 88% of copper

Railroads

Ferromex
DG: John Kelly Joseph
Market share: 58%

Ferrosur (owned by Carlos Slim's Empresa Frisco)
DG: Daniel Torres
Market share: 15%

Kansas City Southern
Chairman: Michael Harverty
Market share: 27%

Telecommunications

Telmex (owned by Carlos Slim's Grupo Carso)
Chairman of the Board: Jaime Chico Pardo
DG: Hector Slim Seade
Market share: 95% of landlines

Telcel (Radiomovil Dipsa/America Movil)
(owned by Carlos Slim's Grupo Carso)
Chairman of the Board: Carlos Slim Helu
DG: Daniel Hajj Aboumrad
Market share: 80% of cellular service

Tortillas

Gruma-Grupo Maseca
Chairman and CEO: Roberto Gonzalez Barrera
Market share: 73%

Minsa
Chairman: Juan Jaime Petersen
DG: Jose Cacho Ribeiro
Market share: 15%

Comment

¶4. (SBU) For some time now, Bank of Mexico Governor Ortiz has been a key voice in calling for the elimination of monopolies. He is a key spokesperson on this issue because of his high profile and because he is not directly connected with vested interest groups -- unlike some members of the GOM Executive branch. Mexico has made notable progress in promoting competition over the past year (e.g. passage of a competition law), but it has a long way to go. Making further headway in this area will require significant political will, as it entails incoming government officials taking on powerful unions and, in some cases, the people who financed their campaigns. End Comment.

BASSETT